

**REPORT OF THE AUDIT OF THE  
TRIMBLE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE TRIMBLE COUNTY FISCAL COURT**

**June 30, 2005**

The Auditor of Public Accounts has completed the audit of the Trimble County Fiscal Court for fiscal year ended June 30, 2005.

We have issued an unqualified opinion, based on our audit of the governmental activities, each major fund and aggregate remaining fund information financial statements of Trimble County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$5,496,542 as of June 30, 2005. The fiscal court had unrestricted net assets of \$3,108,531 in its governmental activities as of June 30, 2005, with total net assets of \$5,496,542. The fiscal court had total debt principal as of June 30, 2005 of \$539,749 with \$75,644 due within the next year.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Randy K. Stevens, Trimble County Judge/Executive  
Members of the Trimble County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Trimble County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Trimble County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Randy K. Stevens, Trimble County Judge/Executive  
Members of the Trimble County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trimble County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2006, on our consideration of Trimble County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 27, 2006



TRIMBLE COUNTY OFFICIALS

For The Year Ended June 30, 2005

**Fiscal Court Members:**

Randy K. Stevens	County Judge/Executive
Kirby Melvin	Magistrate
Stephen L. Stark	Magistrate
Forrest Burkhardt	Magistrate
Norvel Barnes	Magistrate

**Other Elected Officials:**

Perry Arnold	County Attorney
Bobby Temple	Jailer
Jerry L. Powell	County Clerk
June Ginn	Circuit Court Clerk
Tim Coons	Sheriff
Glen Perkinson	Property Valuation Administrator
William Ransdell	Coroner

**Appointed Personnel:**

Regina Rand	County Treasurer
Jane Staples	Finance Officer

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**TRIMBLE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**



**TRIMBLE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,108,531
Total Current Assets	<u>3,108,531</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land	423,900
Buildings	483,063
Building Improvements	847,746
Land Improvements	39,145
Vehicles and Equipment	451,161
Infrastructure Assets - Net of Depreciation	<u>682,745</u>
Total Noncurrent Assets	<u>2,927,760</u>
Total Assets	<u>6,036,291</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Financing Obligations	<u>75,644</u>
Total Current Liabilities	<u>75,644</u>
Noncurrent Liabilities:	
Financing Obligations	<u>464,105</u>
Total Noncurrent Liabilities	<u>464,105</u>
Total Liabilities	<u>539,749</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	2,388,011
Unrestricted	<u>3,108,531</u>
Total Net Assets	<u><u>\$ 5,496,542</u></u>

The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**

**TRIMBLE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Received</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Governmental Activities:				
General Government	\$ 947,149	\$ 967,675	\$ 102,884	\$
Protection to Persons and Property	583,809	139,062	43,763	74,512
General Health and Sanitation	168,903		70,842	
Social Services	15,069			
Recreation and Culture	70,164		4,938	
Roads	416,843		624,390	
Debt Service	17,140			
Total Governmental Activities	2,219,077	1,106,737	846,817	74,512

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Miscellaneous Revenues

Interest

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**TRIMBLE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

**Net (Expenses) Revenues  
and Changes in Net Assets**

**Governmental  
Activities**

\$	123,410
	(326,472)
	(98,061)
	(15,069)
	(65,226)
	207,547
	(17,140)
	<u>(191,011)</u>

	159,478
	3,004
	39,278
	124,762
	29,079
	197,567
	67,282
	<u>620,450</u>
	429,439
	<u>5,066,863</u>
\$	<u><u>5,496,302</u></u>

The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**



**TRIMBLE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>License Fee Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 418,077	\$ 376,645	\$ 2,051,588	\$ 262,221	\$ 3,108,531
Total Assets	<u>\$ 418,077</u>	<u>\$ 376,645</u>	<u>\$ 2,051,588</u>	<u>\$ 262,221</u>	<u>\$ 3,108,531</u>
<b>FUND BALANCES</b>					
Fund Balances:					
Unreserved:					
General Fund Type	\$ 418,077	\$	\$	\$	\$ 418,077
Special Revenue Fund Types		376,645	2,051,588	262,221	2,690,454
Total Fund Balances	<u>\$ 418,077</u>	<u>\$ 376,645</u>	<u>\$ 2,051,588</u>	<u>\$ 262,221</u>	<u>\$ 3,108,531</u>

**Reconciliation to Statement of Changes In Net Assets:**

Total Fund Balances	\$ 3,108,531
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	3,990,019
Depreciation	(1,062,259)
Long-term debt Is Not Due and Payable in the Current Period and, Therefore, Is Not	
Reported in the Funds.	
Financing Obligations	<u>(539,749)</u>
Net Assets Of Governmental Activities	<u>\$ 5,496,542</u>

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**TRIMBLE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**TRIMBLE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Road Fund</b>	<b>License Fee Fund</b>
<b>REVENUES</b>			
Taxes	\$ 326,522	\$	\$
Excess Fees	29,079		
Licenses and Permits	949,000		
Intergovernmental	270,679	624,390	
Charges for Services	120,855		
Miscellaneous	201,578	954	13,675
Interest	6,804	6,914	53,176
Total Revenues	<u>1,904,517</u>	<u>632,258</u>	<u>66,851</u>
<b>EXPENDITURES</b>			
General Government	336,868		
Protection to Persons and Property	455,428		
General Health and Sanitation	161,403		
Social Services			
Recreation and Culture	17,042		
Roads		614,849	
Debt Service	93,374		
Administration	537,927	27,643	
Total Expenditures	<u>1,602,042</u>	<u>642,492</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>302,475</u>	<u>(10,234)</u>	<u>66,851</u>
<b>Other Financing Sources (Uses)</b>			
Transfers From Other Funds			
Transfers To Other Funds	(426,600)		(100,044)
Total Other Financing Sources (Uses)	<u>(426,600)</u>		<u>(100,044)</u>
Net Change in Fund Balances	(124,125)	(10,234)	(33,193)
Fund Balances - Beginning (Restated)	542,202	386,879	2,084,781
Fund Balances - Ending	<u>\$ 418,077</u>	<u>\$ 376,645</u>	<u>\$ 2,051,588</u>

The accompanying notes are an integral part of the financial statements.



**TRIMBLE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 326,522
	29,079
	949,000
44,467	939,536
	120,855
35	216,242
388	67,282
<u>44,890</u>	<u>2,648,516</u>
730	337,598
242,787	698,215
7,500	168,903
9,896	9,896
48,437	65,479
	614,849
	93,374
6,872	572,442
<u>316,222</u>	<u>2,560,756</u>
 <u>(271,332)</u>	 <u>87,760</u>
526,644	526,644
	(526,644)
<u>526,644</u>	<u></u>
255,312	87,760
6,909	3,020,771
<u>\$ 262,221</u>	<u>\$ 3,108,531</u>

The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**



**TRIMBLE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$ 87,760
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	454,546
Depreciation Expense	(189,101)
Lease principal payments are expensed in the Governmental Funds as a use of current financial resources.	
Financing Obligation Principal Payments	<u>76,234</u>
Change in Net Assets of Governmental Activities	<u>\$ 429,439</u>
	429,439

The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Trimble County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity may include organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Trimble County does not report any component units as part of the reporting entity.

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Trimble County Elected Officials Not Part Of Trimble County, Kentucky**

Kentucky law provides for election of the officials below from the geographic area constituting Trimble County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Trimble County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. The county does not report any business-type activities, and therefore, no such information is presented.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.



**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Major individual governmental funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

License Fee Fund - The purpose of this fund is to account for funds received from waste hauling permits and license fees. The funds may be used for any purpose.

The primary government also has the following non-major funds: Jail Fund and Local Government Economic Assistance Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and License Fee Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposit may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 423,900	\$	\$	\$ 423,900
Construction In Progress	23,882		(23,882)	
Total Capital Assets Not Being Depreciated	447,782		(23,882)	423,900
Capital Assets, Being Depreciated:				
Buildings	611,938			611,938
Building Improvements	848,000	104,862		952,862
Land Improvements	74,914			74,914
Vehicles and Equipment	1,046,671	95,010		1,141,681
Infrastructure	506,168	278,556		784,724
Total Capital Assets Being Depreciated	3,087,691	478,428		3,566,119
Less Accumulated Depreciation For:				
Buildings	(116,716)	(12,159)		(128,875)
Building Improvements	(67,840)	(37,276)		(105,116)
Land Improvements	(33,572)	(2,197)		(35,769)
Vehicles and Equipment	(615,647)	(74,873)		(690,520)
Infrastructure	(39,383)	(62,596)		(101,979)
Total Accumulated Depreciation	(873,158)	(189,101)		(1,062,259)
Total Capital Assets, Being Depreciated, Net	2,214,533	289,327		2,503,860
Governmental Activities Capital Assets, Net	\$ 2,662,315	\$ 289,327	\$ (23,882)	\$ 2,927,760

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 37,109
Protection to Persons and Property	48,219
Social Services	5,173
Recreation and Culture	4,685
Roads, Including Depreciation of General Infrastructure Assets	93,915
Total Depreciation Expense - Governmental Activities	<u>\$ 189,101</u>

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 4. Financing Obligations**

**A. Bedford Fire Truck**

On December 31, 1998, the fiscal court entered into a financing agreement with the Kentucky Area Development Districts Financing Trust to borrow \$148,000 at 4.96 percent for the purchase of a fire truck for the Bedford Fire Department. The county refinanced the agreement on November 12, 2003 in the amount of \$97,000, with variable interest rates ranging from 1% to 3.8%. The retirement date for the lease remained May 20, 2009. The county will make semi-annual payments of varying amounts in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 17,000	\$ 1,858
2007	17,000	1,412
2008	18,000	943
2009	12,000	562
Totals	<u>\$ 64,000</u>	<u>\$ 4,775</u>

**B. Courthouse Renovation**

On May 22, 2002, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust to borrow \$650,000 at a variable interest rate for the renovation of the Trimble County Courthouse. The county will make monthly payments of varying amounts for 10 years in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 58,644	\$ 17,634
2007	61,276	15,174
2008	64,359	12,633
2009	67,595	10,009
2010	70,994	7,297
2011-2012	152,881	6,099
Totals	<u>\$ 475,749</u>	<u>\$ 68,846</u>

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 4. Financing Obligations (Continued)**

**C. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 615,983		\$ 76,234	\$ 539,749	\$ 75,644
Governmental Activities					
Long-term Liabilities	\$ 615,983	\$ 0	\$ 76,234	\$ 539,749	\$ 75,644

**Note 5. Interest On Financing Obligations**

Debt Service on the Statement of Activities includes \$17,140 in interest on financing obligations.

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**TRIMBLE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 7. Deferred Compensation**

On February 24, 2000, the Trimble County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2005, Trimble County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Prior Period Adjustment**

The beginning fund balance of \$542,202 includes prior period adjustments of \$240 for prior year voided checks.

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**TRIMBLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**



**TRIMBLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 320,800	\$ 320,800	\$ 326,522	\$ 5,722
Excess Fees	16,000	16,000	29,079	13,079
Licenses and Permits	865,450	865,450	949,000	83,550
Intergovernmental Revenue	86,809	232,163	233,979	1,816
Charges for Services	95,000	95,000	120,855	25,855
Miscellaneous	155,500	161,127	201,578	40,451
Interest	7,000	7,000	6,804	(196)
Total Revenues	<u>1,546,559</u>	<u>1,697,540</u>	<u>1,867,817</u>	<u>170,277</u>
<b>EXPENDITURES</b>				
General Government	411,611	427,255	336,868	90,387
Protection to Persons and Property	380,930	565,659	455,428	110,231
General Health and Sanitation	118,800	193,242	161,403	31,839
Recreation and Culture	15,000	18,500	17,042	1,458
Debt Service	39,135	39,135	56,674	(17,539)
Administration	745,900	618,566	537,927	80,639
Total Expenditures	<u>\$ 1,711,376</u>	<u>\$ 1,862,357</u>	<u>\$ 1,565,342</u>	<u>\$ 297,015</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(164,817)</u>	<u>(164,817)</u>	<u>302,475</u>	<u>467,292</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(186,945)	(186,945)	(426,600)	(239,655)
Total Other Financing Sources (Uses)	<u>\$ (186,945)</u>	<u>\$ (186,945)</u>	<u>\$ (426,600)</u>	<u>\$ (239,655)</u>
Net Changes in Fund Balance	(351,762)	(351,762)	(124,125)	227,637
Fund Balance - Beginning (Restated)	<u>351,762</u>	<u>351,762</u>	<u>542,202</u>	<u>190,440</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 418,077</u>	<u>\$ 418,077</u>

**TRIMBLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 613,594	\$ 623,394	\$ 624,390	\$ 996
Miscellaneous	1,350	1,350	954	(396)
Interest	7,000	7,000	6,914	(86)
Total Revenues	<u>\$ 621,944</u>	<u>\$ 631,744</u>	<u>\$ 632,258</u>	<u>\$ 514</u>
<b>EXPENDITURES</b>				
Roads	\$ 757,050	\$ 770,850	\$ 614,849	\$ 156,001
Administration	65,550	61,550	27,643	33,907
Total Expenditures	<u>\$ 822,600</u>	<u>\$ 832,400</u>	<u>\$ 642,492</u>	<u>\$ 189,908</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(200,656)</u>	<u>(200,656)</u>	<u>(10,234)</u>	<u>190,422</u>
Net Changes in Fund Balance	(200,656)	(200,656)	(10,234)	190,422
Fund Balance - Beginning	<u>200,656</u>	<u>200,656</u>	<u>386,879</u>	<u>186,223</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 376,645</u>	<u>\$ 376,645</u>

**TRIMBLE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>LICENSE FEE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Licenses and Permits	\$ 13,000	\$ 13,000	\$ 13,675	\$ 675
Interest	91,000	91,000	53,176	(37,824)
Total Revenues	<u>\$ 104,000</u>	<u>\$ 104,000</u>	<u>\$ 66,851</u>	<u>\$ (37,149)</u>
<b>EXPENDITURES</b>				
Administration	\$ 18,475	\$ 18,475	\$	\$ 18,475
Total Expenditures	<u>\$ 18,475</u>	<u>\$ 18,475</u>	<u>\$ 0</u>	<u>\$ 18,475</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>85,525</u>	<u>85,525</u>	<u>66,851</u>	<u>(18,674)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	\$ (85,525)	\$ (85,525)	\$ (100,044)	\$ (14,519)
Total Other Financing Sources (Uses)	<u>\$ (85,525)</u>	<u>\$ (85,525)</u>	<u>\$ (100,044)</u>	<u>\$ (14,519)</u>
Net Changes in Fund Balances			(33,193)	(33,193)
Fund Balances - Beginning			2,084,781	2,084,781
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,051,588</u>	<u>\$ 2,051,588</u>

**TRIMBLE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2005**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**TRIMBLE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2005**





**TRIMBLE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2005**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,357	\$ 258,864	\$ 262,221
Total Assets	<u>\$ 3,357</u>	<u>\$ 258,864</u>	<u>\$ 262,221</u>
<b>FUND BALANCES</b>			
Unreserved:			
Special Revenue Funds	\$ 3,357	\$ 258,864	\$ 262,221
Total Fund Balances	<u>\$ 3,357</u>	<u>\$ 258,864</u>	<u>\$ 262,221</u>

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**TRIMBLE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2005**



**TRIMBLE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

	<b>Jail Fund</b>	<b>LGEA Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Intergovernmental	\$ 39,529	\$ 4,938	\$ 44,467
Miscellaneous	35		35
Interest		388	388
Total Revenues	<u>39,564</u>	<u>5,326</u>	<u>44,890</u>
<b>EXPENDITURES</b>			
General Government		730	730
Protection to Persons and Property	242,787		242,787
General Health and Sanitation		7,500	7,500
Social Services		9,896	9,896
Recreation and Culture		48,437	48,437
Administration	6,872		6,872
Total Expenditures	<u>249,659</u>	<u>66,563</u>	<u>316,222</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(210,095)</u>	<u>(61,237)</u>	<u>(271,332)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers From Other Funds	209,100	317,544	526,644
Total Other Financing Sources (Uses)	<u>209,100</u>	<u>317,544</u>	<u>526,644</u>
Net Change in Fund Balances	(995)	256,307	255,312
Fund Balances - Beginning	4,352	2,557	6,909
Fund Balances - Ending	<u>\$ 3,357</u>	<u>\$ 258,864</u>	<u>\$ 262,221</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Randy K. Stevens, Trimble County Judge/Executive  
Members of the Trimble County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 27, 2006. Trimble County prepares its financial statements in accordance with the modified cash basis of accounting, which is a basis of account other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trimble County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Trimble County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
January 27, 2006

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**TRIMBLE COUNTY FISCAL COURT**

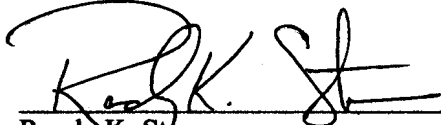
**For The Fiscal Year Ended  
June 30, 2005**

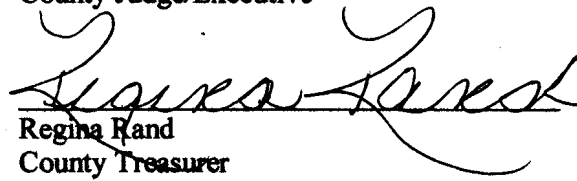


**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**TRIMBLE COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2005**

The Trimble County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Randy K. Stevens  
County Judge/Executive

  
\_\_\_\_\_  
Regina Rand  
County Treasurer